

**PPOL 611.15 – Economic Regulation and Competition Policy**

<b>Course:</b>	PPOL 611.15 Economic Regulation and Competition Policy	<b>Term:</b>	Fall 2017
<b>Time:</b>	Thursday 9:00- 11:50	<b>Section:</b>	01
<b>Instructor:</b>	Dr. G. Kent Fellows	<b>Place:</b>	Nexen Technology and Conference Center, DTC (Downtown Campus: 5 <sup>th</sup> Floor, 906-8 <sup>th</sup> Avenue SW)
<b>Office:</b>	DTC (TBD)	<b>Telephone:</b>	403-210-9429
<b>Office Hours:</b>	By appointment	<b>E-mail:</b>	<a href="mailto:gkfellow@ucalgary.ca">gkfellow@ucalgary.ca</a>

**Required Textbook:** None

**Other Readings:**

- Church, Jeffrey R., and Roger Ware. "Industrial organization: a strategic approach." (2000).
- N.G. Mankiw, R.D. Kneebone, and K.J. McKenzie, "Principles of Microeconomics" Seventh Canadian Edition, Nelson Publishing, 2017.

Supplementary readings will be posted on D2L during the course.

**Desire2Learn:**

Desire2Learn (D2L), a web-based course management tool, will be used in the course. Students registered in this course can log in at: <https://d2l.ucalgary.ca/>. Note that D2L features a class e-mail list that will be used and I will use this list to communicate with you. It is your responsibility to ensure that D2L uses the e-mail address of your choice. The default is your University of Calgary e-mail address.

**Course Outline:**

This is a survey course covering the intervention practices and policies by government with regard to the design and operation of markets. We will cover two core classifications of public policy as it relates to market power and the efficiency of markets. 1) The use of antitrust laws to limit the acquisition of market power. 2) The use of economic regulation to limit the inefficient exercise of market power.

The first half of the course will cover some basic economic background underlying the application of competition policy and regulation. As a component of this we will review the relevant clauses of the Canadian Competition Act as well as reviewing the operations of select regulatory agencies (such as the NEB). The latter half of the course will revolve around case studies on the specific applications of competition and regulatory policy in Canada and other jurisdictions.

For students interested in economics, competition and markets, this course should prove a valuable complement to PPOL 605 (Markets and Public Policy).

**Classes and Readings (subject to change):**

The course will roughly adhere to the following list of topics. These topics (especially those in the latter half of the course) as subject to change at my discretion. Any changes will generally reflect modifications either in the interest of time constraints or in an effort to more closely match the specific interests of the class.

**1. Market Power/Lack of Competition (Week 1-2)**

*What is the difference between a free market and a competitive market?* A review and introduction to the concept of imperfect competition and market power within to context of economic models.

- Monopolies and Imperfect Competition

**2. Market Power and Public Policy (Week 2-3)**

Examining the rationale for the use of Public Policy in addressing market imperfections.

- Total Surplus Criteria
- Causes of Market Power (Natural vs Artificial)

**3. Introduction to the Canadian Competition Act (Week 4-5)**

<http://www.laws.justice.gc.ca/eng/acts/C-34/index.html>

- Refusal to Deal
- Price Maintenance
- Exclusive Dealing, Tied Selling and Market Restriction
- Abuse of Dominant Position
- Delivered Pricing
- Agreements or Arrangements that Prevent or Lessen Competition Substantially
- Mergers

**4. Market Definition (Week 6)**

## Antitrust Market Definition

- FTC v. Coca-Cola Co (The “Share of Stomach” Argument)
  - [https://www.ftc.gov/sites/default/files/documents/commission\\_decision\\_volumes/volume-117/ftc\\_volume\\_decision\\_117\\_january\\_-\\_june\\_1994pages\\_795\\_-\\_895.pdf](https://www.ftc.gov/sites/default/files/documents/commission_decision_volumes/volume-117/ftc_volume_decision_117_january_-_june_1994pages_795_-_895.pdf)
  - [https://www.ftc.gov/sites/default/files/documents/commission\\_decision\\_volumes/volume-117/ftc\\_volume\\_decision\\_117\\_january\\_-\\_june\\_1994pages\\_795\\_-\\_895.pdf](https://www.ftc.gov/sites/default/files/documents/commission_decision_volumes/volume-117/ftc_volume_decision_117_january_-_june_1994pages_795_-_895.pdf)
- United States v. E.I. duPont de Nemours & Co., (The Cellophane Fallacy)
  - <http://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=2799&context=ilj>

**Midterm (Week 7)****5. Introduction to Direct Economic Regulation (Week 8)**

## Price Regulation

- The Cost-of-Service/Rate-of-Return Model
- Price Caps (RBI-X)
- Incentive and Other Non-Traditional Regulation

**6. Case Studies: Property rights and Government Granted Monopolies (Week 9)**

## Potential Case Studies:

- Brand vs. Generic Pharmaceuticals
- Uber and municipal taxi markets

**7. Case Studies: Abuse of Dominance (Week 10)**

## Potential Case Studies:

- Microsoft,
- Live Nation Ticketmaster,
- Google

**8. Case Studies: Coordinated behavior and Collusion (Week 11)**

## Potential Case Studies:

- Credit Card No-Surcharge rules,
- Apple ebooks price fixing,
- Cadbury/Hershey/Nestle/Mars (chocolate price fixing)

**9. Case Studies: Mergers (Horizontal) (Week 12)**

## Potential Case Studies:

- Superior Propane,
- Coca-Cola’s acquisition of Dr. Pepper

**10. Case Studies: Direct Regulation (Week 13)**

## Potential Case Studies:

- Trans-Mountain pipeline,
- Electricity Market Structuring (AB and ON)

**Grade Determination:**

Short Assignment	5%
Term Assignment	35%
Mid-term	25%
Final Exam	35%

**Short Assignment:** A short assignment will be issued prior to the mid-term exam, and will cover the material through week 6.

**Term Assignment:** A detailed description of the Term Assignment will be provided before week 7. The term assignment will consist of a briefing paper style report summarizing the public policy arguments of a competition policy or regulatory related problem or issue. Topics should be taken either from specific court cases or emerging competition issues (ie- the emergence of disruptive business models like Uber and AirBnB). All topics require approval from me based on consultations during office hours.

Further instruction on methods of submission and due dates will be provided in class and on D2L. Be sure to check on D2L each week for readings and assignments.

**Final Exam:** The final exam will be comprehensive and will cover all course readings and class discussions. Instructions and a schedule for the assignments will be posted on Desire2Learn.

Letter grades as described in the Faculty of Graduate Studies Calendar (see p.19) will be given for all elements of grade determination noted above. The course grade will be determined based on a weighted average of those grades according to the percentages shown above. In the event that elements are marked on a numerical (percentage) basis, they will be converted to letter grades. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	97-100	B	75-79	C-	60-62
A	90-96	B-	70-74	D+	55-59
A-	85-89	C+	67-69	D	50-54
B+	80-84	C	63-66	F	0-49

**Important Notes:**

- The School of Public Policy expects the highest standards of professional conduct by students, faculty and staff. Abusive or disrespectful behavior will not be tolerated. This includes any expression of prejudice in any of its forms.
- It is the student's responsibility to be fully aware of the academic regulations outlined in the University Of Calgary Faculty Of Graduate Studies Calendar. Provisions regarding Student Misconduct (plagiarism, cheating and other academic misconduct) will be strictly enforced. Please review the University of Calgary's Regulations on Plagiarism, Cheating and Other Academic Misconduct, online:

<http://www.ucalgary.ca/pubs/calendar/current/k-2.html>

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) must discuss their work with the Instructor *within fifteen days* of the work being returned to the class. If not satisfied the student shall immediately take the matter to the Director of the MPP program or the Academic Director of the School and ask for a ruling and written reassessment. Should the student wish a further appeal it must be addressed to the Director and Palmer Chair of the School within 15 days of the ruling by the MPP Director or the Academic Director. For further information see the School of Public Policy Student Appeals Process at: <http://www.policyschool.ca/wp-content/uploads/2017/06/Student-Academic-Appeals.pdf>
- Examinations will not be given prior to the scheduled date.
- Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services; SAS will process the request and issue letters of accommodation to instructors. For additional information on support services and accommodations for students with disabilities, Visit [www.ucalgary.ca/access/](http://www.ucalgary.ca/access/). Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at: <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>
- All material used in this course is for the sole use of the individual and should not be recopied in either print or digital format. For copyright guidelines, including those relating to photocopying and electronic copies, please refer to the Association of Universities and Colleges of Canada (AUCC) fair dealing guidelines. <http://library.ucalgary.ca/copyright/fair-dealing>
- The University of Calgary complies with the requirements of the *Freedom of Information and Privacy Act*. The University's policy on the sharing of student information with third parties can be found here: <http://www.ucalgary.ca/legalservices/files/legalservices/pg-pi-of-students-to-3rd-parties.pdf>. The University's policy on the sharing of student information with the subject can be found here: <http://www.ucalgary.ca/legalservices/files/legalservices/pg-pi-of-student-to-subject.pdf>
- In the event of an emergency, students may be required to evacuate the building. If evacuation is ordered, follow these procedures:
  - Stay calm, do not rush, and do not panic.
  - Safely stop your work.
  - Gather your personal belongings if it is safe to do so. (keys, purses, jackets, cell phones, etc. It may be hours before you are allowed back in the building.)
  - If safe, close your office door and window, but do not lock them.
  - If directed by wardens, follow their instructions.
  - Use the closest emergency exit. Do not use the elevator.
  - Proceed to the designated Emergency Assembly point in front of the Holiday Inn on 8<sup>th</sup> avenue to the west of the Downtown Campus.
  - Do not re-enter the building or work area until you have been advised by emergency responders that it is safe to do so.

Graduate Students' Union Vice-President, Academic

Negar Mohammadi

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Graduate Students Association

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CANADA

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Emergency Assembly Point

Holiday Inn Lobby (weather permitting)

1020 8<sup>th</sup> Avenue SW

Calgary, Alberta T2P 1J2

Or remain at nearest exit point

Safewalk / Campus Security: 220-5333

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A handwritten signature in black ink, appearing to read "Stuart Mansell". The signature is fluid and cursive, with the first name "Stuart" and last name "Mansell" clearly distinguishable.